

RatingsDirect®

Summary:

Franklin, Massachusetts; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile		
Franklin GO		
Long Term Rating	AA+/Stable	Upgraded
Town of Franklin GO sch bnds		
Long Term Rating	AA+/Stable	Upgraded
Franklin GO		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services raised its general obligation (GO) rating on the Town of Franklin, Mass. to 'AA+' from 'AA' based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

Limited ad valorem taxes levied on taxable property within Franklin secure the GO bonds.

The rating reflects our assessment of the following factors for the town, specifically:

- We consider the town's economy to be very strong, with projected per capita effective buying income at 135% as a percent of that of the U.S. and per capita market value of \$133,544. Franklin, with an estimated population of 32,000, is about 28 miles from New England's largest cities: Boston; Worcester, Mass.; and Providence, R.I. The town also has access to the Boston-Cambridge-Newton metropolitan statistical area (MSA). Norfolk County unemployment was 5.6% in 2012, well below the national level.
- In our opinion, the town's budgetary flexibility is strong, with available reserves above 8% of expenditures for the past three years and no plans to significantly spend them down. Audited fiscal 2012 available reserves were \$10.7 million or 10.7% of expenditures. Franklin reports 2013 reserves will be level with its 2012 results.
- The town's budgetary performance has been strong in our view. The town ended fiscal 2012 with an operating surplus of 3.7% in the general fund and 3.8% in the total governmental funds. Management expects to close fiscal 2013 with a \$3.3 million operating surplus. Franklin has budgeted balanced operations without the use of any fund balance in fiscal 2014. Property taxes are the main source of revenue, constituting about 55% of the 2012 general fund. Intergovernmental aid makes up about 37%. Current-year collections remain what we view as strong, typically exceeding 99%, providing the town with a stable and predictable revenue source.
- Supporting the town's finances is what we consider to be very strong liquidity with total government available cash being at 18.2% of total governmental fund expenditures and at almost 3.5x of debt service in fiscal 2012. Also we believe Franklin has strong access to external liquidity.
- We view the town's management conditions as strong, with "good" management practices under our Financial Management Assessment, indicating that practices exist in most areas, although not all might be formalized or

regularly monitored by governance officials.

- In our opinion, the town's debt and contingent liabilities profile is strong, with total governmental funds debt service as a percent of total governmental funds expenditures at 5.3% and with net direct debt as an percent of total governmental funds revenue at 69%. The town plans on issuing \$1 million of GO debt within the next two years for high school construction project. The town is also performing a capital study on library repairs.
- Franklin participates in a cost-sharing, multiple-employer defined benefit plan of the Norfolk County Contributory Retirement System. It contributed 100% of the annual required contribution in fiscal 2012, equivalent to 3.1% of expenditures. The town provides other postemployment benefits (OPEB) through its own plan. The unfunded OPEB liability is approximately \$85 million which we consider significantly large. However the town has started contributing to OPEB reserves to partially fund these liabilities. The town's combined contribution in fiscal 2012 to pension and OPEB was about 4.7% of total governmental expenditures.
- We consider the Institutional Framework score for Massachusetts towns as strong. See Institutional Framework score for Massachusetts, published Sept. 12, 2013.

Outlook

The stable outlook reflects what we view as the town's very strong liquidity position and strong budgetary flexibility. In addition, we believe Franklin's very strong economy and access to the Boston MSA lends stability to the town's tax base. Consequently, we do not expect to change the rating within the outlook's two-year time frame. While unlikely, if management is unable to maintain structural balance resulting in what we view as weak budgetary performance and flexibility, we could lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments, Sept. 12, 2013

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